

Message Text

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PAGE 01 MANAGU 01930 01 OF 02 252326Z
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FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC NIACT IMMEDIATE 6408

C O N F I D E N T I A L SECTION 1 OF 2 MANAGUA 1930

FOR ACTING A/S BUSHNELL AND AA/A VALDEZ FROM AMBASSADOR

E.O. 11652: GDS
TAGS: EAID, NU, SHUM, PINT

SUBJECT: BILATERAL ASSISTANCE PROGRAM

REFS: A) STATE 104031, B) MANAGUA 1901, C) MANAGUA 1409

1. SHORTLY AFTER MY ARRIVAL I BECAME AWARE OF ASPECTS OF THE PENDING EDUCATION LOAN AGREEMENT WHICH PROMPTED VERY STRONG MISGIVINGS AS TO THE TECHNICAL FEASIBILITY AND DESIRABILITY OF THE EDUCATION LOAN/ GRANT PACKAGE AS IT IS PRESENTLY CONCEIVED. AMONG THE FINDINGS WHICH PROMPTED MY MISGIVINGS WERE:

A. IN TALKS WITH EDUCATION MINISTRY OFFICIALS, I WAS INFORMED THAT THERE ARE A NUMBER OF USAID-FINANCED SCHOOLS WHICH HAVE SERIOUS MAINTENANCE PROBLEMS AND OTHERS WHICH STAND EMPTY BECAUSE THERE ARE NO TEACHERS.

B. A WIDESPREAD PRACTICE IN RURAL SCHOOLS IS FOR TEACHERS TO ATTEND CLASSES ONLY A FEW DAYS OF THE MONTH.

C. SEVERAL RELIABLE SOURCES HAVE TOLD ME THAT THE MINISTRY HAS BECOME SO CORRUPT THAT IT HAS MANY "PHANTOM" (I.E., NON-EXISTENT) TEACHERS ON ITS PAYROLLS, AND OTHERS WHO "SUBLET" THEIR TEACHING JOBS AT A PROFIT TO SUBSTITUTES OF UNKNOWN QUALIFICATIONS. THE USE OF MINISTRY JOBS AND TEACHING POSITIONS AS POLITICAL PATRONAGE POSTS IS WIDESPREAD.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANAGU 01930 01 OF 02 252326Z

D. IN ADDITION TO STAFFING PROBLEMS, I UNDERSTAND THAT THERE ARE MANY CLASSROOMS WHICH LACK ADEQUATE INSTRUCTIONAL MATERIALS. THESE CONDITIONS PERSIST WHILE TEACHING MATERIALS (SOME DATING FROM THE MID-1960'S). REMAIN UNUSED IN GON WAREHOUSES.

2. THESE AND OTHER SERIOUS ADMINISTRATIVE PROBLEMS EXISTED BEFORE THE PRESENT EDUCATION MINISTER, MARIA HELENA DE PORRAS WAS NAMED TO

THE JOB LAST DECEMBER. TO MY KNOWLEDGE, MRS. PORRAS HAS NOT YET TAKEN STEPS TO RECTIFY THEM. THESE PROBLEMS ALSO EXISTED BEFORE THE TERM OF MRS. PORRAS' PREDECESSOR, WHO WAS REPORTEDLY APPOINTED TO CLEAN UP THE MINISTRY AND INSTALL A NEW MANAGEMENT TEAM.

3. I REALIZE THAT AID IS NOT UNAWARE OF THESE PROBLEMS AND THAT THE PROPOSED EDUCATION PROJECT GENERALLY ADDRESSES THESE ITEMS. I STRONGLY BELIEVE, HOWEVER, THAT THE ADMINISTRATIVE REFORM COMPONENT OF THE LOAN REQUIRES FAR GREATER EMPHASIS AND A CLEARER DEFINITION THAN THAT WHICH ARISES FROM THE PROJECT PAPER. MOREOVER, IT DOES NOT SEEM PRUDENT TO BLEND THE ADMINISTRATIVE REFORM PORTION WITH THE INTRODUCTION OF OTHER HIGHLY INNOVATIVE AND YET UNPROVED EDUCATIONAL PACKAGE COMPONENTS. THIS BLENDING REDUCES THE SALIENCE AND URGENCY OF CONCENTRATING ON THE BUREAUCRATIC REFORMS WHICH ARE PREREQUISITE TO THE SUCCESSFUL DEVELOPMENT OF A NATIONAL EDUCATION PROGRAM IN NICARAGUA.

4. GIVEN THE CURRENT MANAGEMENT SHORTCOMINGS OF THE MINISTRY, I QUESTION WHETHER IT CAN GEAR UP AND ABSORB PROPOSED FUNDING (BOTH US AND GON COUNTERPART) AT THE SAME TIME THAT THE IBRD'S \$11 MILLION PACKAGE IS BEING IMPLEMENTED. ALTHOUGH THE IBRD EDUCATION TEAM EXPRESSED OPTIMISM DURING INITIAL MEETINGS WITH USAID OFFICIALS ABOUT THE MINISTRY'S CAPACITY TO ABSORB BOTH, WE REMAIN UNCONVINCED.

5. WE ALSO ARE RELUCTANT NOW TO COMMIT THE USG TO PROVIDE OVER \$8 MILLION TO THE EDUCATION MINISTRY BECAUSE OF TWO ADDITIONAL PROBLEMS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANAGU 01930 01 OF 02 252326Z

AREAS. FIRST, THE ACHIEVEMENT OF ADMINISTRATIVE REFORM WITHIN THE MINISTRY WILL REQUIRE THE DISMANTLING OF A DEVELOPED POLITICAL PATRONAGE SYSTEM. WHILE DIFFICULT AT ANY TIME, THE PRESENT POLITICAL SITUATION WILL SIGNIFICANTLY LIMIT THE MINISTRY'S ABILITY TO FIRE SOMOZA SUPPORTERS. SECOND, BOTH PRESIDENT SOMOZA AND MINISTER OF FINANCE GENIE HAVE EXPRESSED TO ME SERIOUS CONCERN ABOUT THE GON'S CURRENT BUDGETARY PROBLEMS, VIZ, WE HAVE ALREADY RESTRUCTURED THE RECONSTRUCTION PROGRAM IN A MANNER CALCULATED IN PART TO EASE THE STRAIN ON GON BUDGETS FOR THE NEXT TWO FISCAL YEARS.

6. CORRUPTION CONTINUES TO BE AN ISSUE IN NICARAGUA. WE CANNOT IGNORE PUBLIC ALLEGATIONS THAT SOME PROMINENT GOVERNMENT OFFICIALS HAVE ENGAGED IN QUESTIONABLE LAND DEALINGS AMOUNTING TO OVER A MILLION DOLLARS INVOLVING NICARAGUAN COUNTERPART FUNDS OF THE GON RECONSTRUCTION PROGRAM. THE GON'S IMAGE AS CAPABLE MANAGER OF AID-FINANCED PROJECTS IS FURTHER CLOUDED BY RECENT BAVINIC SHORTAGES. EVEN WHERE CORRUPTION IS NOT A MAJOR ISSUE WE ARE CONCERNED ABOUT THE GON'S ABILITY TO SATISFY CONDITIONS PRECEDENT. FOR EXAMPLE, DISBURSEMENTS FOR THE PRINCIPAL PROJECT IN THE GON/AID INTEGRATED RURAL DEVELOPMENT STRATEGY, INVIERNO, ARE BEING HELD UP BECAUSE REQUIREMENTS TO HAVE BEEN MET BY LAST DECEMBER ARE STILL UNFULFILLED. WE BELIEVE UNDER THESE CIRCUMSTANCES THE UTMOST CAUTION

IS ADVISABLE.

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PAGE 01 MANAGU 01930 02 OF 02 252330Z
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C O N F I D E N T I A L SECTION 2 OF 2 MANAGUA 1930

FOR ACTING A/S BUSHNELL AND AA/AVALDEZ FROM AMBASSADOR

7. WE AGREE THAT THE MINISTRY OF EDUCATION MUST BE ULTIMATELY RESPONSIBLE FOR DEVELOPMENT AND MANAGEMENT OF NICARAGUA'S EDUCATIONAL SYSTEM. TO BE EFFECTIVE, HOWEVER, A MAJOR REFORM OF THE MINISTRY WILL HAVE TO BE ACCOMPLISHED. CONSEQUENTLY WE RECOMMEND THAT THE PROJECT IN ITS CURRENT FORM NOT BE APPROVED. OUR FIRST PREFERRED OPTION WOULD BE A NEGOTIATED, RESTRUCTURED EDUCATIONAL ASSISTANCE PACKAGE WHICH GIVES HIGHER AND UNMISTAKABLE PRIORITY TO ORGANIZATIONAL REFORM ON WHICH THE INTEGRATION OF EDUCATION INTO RURAL DEVELOPMENT STRATEGY MUST BE BASED. OUR SECOND PREFERENCE WOULD BE TO ADOPT THE COURSE OUTLINED IN PARA 4B OF STATE 104031. IF THE LATTER OPTION IS SELECTED, IN ORDER TO REFLECT THE "BALANCE" WE BELIEVE IS DESIRABLE UNDER THE CIRCUMSTANCES, THE DEPARTMENT SHOULD SIMULTANEOUSLY APPROVE THREE PRIVATE SECTOR OPERATIONAL PROGRAMS GRANTS WHICH THE AID MISSION HERE HAS PROPOSED. THESE ARE:

A. PRIVATE AGENCY, RURAL VACCINATION AMIGOS DE LAS AMERICAS OPG WITH PVO FOR TOTAL DOLLARS 249,000 (DOLLARS 99,000 IN FY 78) PENDING CHRISTOPHER COMMITTEE REVIEW. UPON RECEIPT OF AID/W APPROVAL PRO/AG CAN BE PREPARED AND SIGNED IN APPROXIMATELY 4 WEEKS. PROJECT CONTEMPLATES ESTABLISHMENT OF NICARAGUAN COUNTERPART
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CONFIDENTIAL

PAGE 02 MANAGU 01930 02 OF 02 252330Z

PVO.

B. RURAL FAMILY EDUCATION CENTERS OPG WITH PVO FUNDE FOR A TOTAL OF DOLLARS 310,000 REVIEWED AND APPROVED BY MISSION. AWAITING CHRISTOPHER GROUP REVIEW AND APPROVAL PRIOR TO SIGNING PRO/AG.

C. ESTELI CAMPESINO TRAINING INSTITUTE OPG PP WITH PVO CARE FOR TOTAL OF DOLLARS 250,000 (DOLLARS 135,000 IN FY 78) BEING DEVELOPED AT MISSION. PROJECT DESCRIPTION WILL BE SENT IN SEPTEL ASAP FOR CHRISTOPHER COMMITTEE REVIEW. INSTITUTE ITSELF IS NON-GOVERNMENTAL ENTITY SPONSORED BY NICARAGUAN PRIVATE SECTOR.

8. THE USAID BELIEVES THAT THE OBJECTIVES OF THE LOAN PROJECT WILL HAVE A REASONABLE PROBABILITY OF ATTAINMENT OVER THE LONG RUN THROUGH THE UTILIZATION OF THE MINISTRY, AND USAID WOULD SUPPORT EITHER OPTION A OR B, PARAGRAPH 4, STATE 104031.

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